Beyond the Current EU Conception : Alternative approaches to Structural Reform

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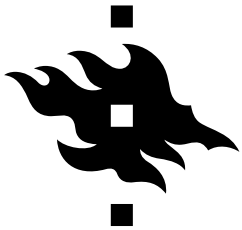
HEIKKI PATOMÄKI



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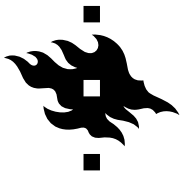

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BEYOND THE CURRENT EU CONCEPTION: ALTERNATIVE APPROACHES TO STRUCTURAL REFORM

For decades, the concept of "structural reform" has been dominant in the economic policy discourse of the EU and most of its member states, from Greece to Finland. The term gets its meaning mainly from neoclassical economic theory, though there are also Schumpeterian and other elements. An analysis of the theoretical underpinnings of the concept (which emerged in the 1980s and was spread through the Bretton Woods institutions and the OECD) reveals conceptual and theoretical ambiguities and factual weaknesses. While many of these weaknesses are related to unrealistic assumptions, I argue further that the realisticness of particular assumptions is different from the realism of the approach and relevance of the problematic. Second, to explore the limitations of the concept in its current meaning, I outline a brief genealogy of the concept of structure in social sciences and then juxtapose the economistic concept of structure with that of realist social theory. Third, I explore the implications of this deeper ontological conception of structure to the meaning and nature of possible structural reforms. Fourth, I give a few examples of alternative structural reforms to make my points more concrete. The envisioned programme of structural changes would amount to reversing the current EU strategy for growth. In the end, I summarise the overall argument.

Keywords: Efficient market hypothesis, hope, normativity, open system, rationality, realism, scale economies, social ontology, structure, supply-side economics

INTRODUCTION: THE CONCEPT OF STRUCTURAL CHANGE

Without large-scale national fiscal packages supported by the ECB and its policies, the EU would be in its deepest politico-economic crisis ever in 2020–21. Some of the measures introduced are ground-breaking: monetary policy has become ever more "unconventional"; austerity is lifted; a part of new debt is mutualised, and the EU's own resources will be increased. However, some of these measures are meant to be temporary

only, implying, among other things, an eventual return to austerity. Meanwhile, the EU Commission continues to push for structural reforms (SR), as it has been for many years (the Structural Reform Support Programme was established in 2016 to facilitate their implementation in spite of continuous resistance). SRs are also a key part of the EU Covid-19 rescue package approved in summer 2020.

What does the term SR mean? In several official EU texts, SRs are characterised only in vague generic terms, at times verging on euphemisms. "Structural reforms are policy measures designed to boost an economy's competitiveness, growth potential and adjustment capacity" (Euronews 2019). They are "efforts to support job creation and sustainable growth" (EU Commission 2021a). Frequently, structural reforms are defined negatively in contrast to short-term policies focussing on economic fluctuations and other acute problems (EU Commission 2019). Since the definition is to a degree negative and indirect, "structural" appears to be a leftover category that can include a variety of things. As Amandine Crespy and Pierre Vanheuverzwijn (2016, 63) note, "the substantial meaning of SR has been fuzzy and malleable enough to accompany the 'layering' of new objectives and instruments".

To illustrate the variety of meanings that may be attached to SRs, they may for example include attempts to curb tax evasion. Alternatively, the perceived problem to which SRs are supposed to be a solution may be a shortage of labour resulting from a mismatch between training and demand for particular skills. Some SRs have focused on efforts to reduce the so-called sustainability gap of an ageing society. This gap can be addressed by all kinds of means, for example by reducing public spending, increasing labour supply, stepping up production through supply-side reforms, and by pursuing scale economies in terms of increasing the size of administrative and productive units in the public or public-private sector. Also, various efforts to induce investments can be included in the SR reform packages.

Even though the term "structural reform" is not tied to a single well-defined concept but involves multiple layers of meanings that can shift over time, it is reasonable to assume that in the EU practices there are some common assumptions about what is it that can boost competitiveness, growth potential, adjustment capacity, job creation, and sustainability. The basic idea can be found for example in the "Structural reforms for economic growth" www-page of the EU Commission (2021b): "Structural reforms tackle obstacles to the fundamental drivers of growth by *liberalising* labour, product, and service *markets*, thereby encouraging job creation and investment and improving productivity" (italics HP). The idea that market liberalisation brings efficiency originates in the prevailing form of economics. Similarly, the distinction between short and long run comes from neoclassical economics (for discussions on the contested meanings of "neoclassical", see Morgan 2016).

From Alfred Marshall's *Principles of Economics* (editions from 1890 to 1920) to various editions of Paul Samuelson's classic textbook *Economics* (original 1948; cf. Samuelson and Nordhaus 2009), the short run is defined as a period in which output changes must use the same fixed amount of capital, while in the long run capital and all other factors are variable and there is free entry and exit of firms into and from the industry. This presupposes, however, particular circumstances such as free entry and exit, which may not occur. From this perspective, product market reforms must aim at lowering *de facto* barriers of entry to make markets work more efficiently; while for the same reason labour market reforms purport to make it easier to dismiss workers who are redundant given their skills and the market situation.

In general, the typical assumption is that the optimal functioning of the market mechanism is hampered by something, typically by regulations, practices, or institutions. At other times, however, the idea is rather that there is a problem such as unemployment or the ageing of society that can be best addressed by means of stimulating economic growth. What may or may not stimulate growth is of course a contested issue even within mainstream economics, not to speak of the wider field including also various post-Keynesian, post-Marxian, institutional, evolutionary, and other non-mainstream approaches. For the chief problems to be properly identified and the proposed structural changes to function in the desired way, the advocates of EU-type SRs must assume some combination of these four basic elements,[1] though the fourth one may perhaps be seen as a mere auxiliary hypothesis:

1. The efficient market hypothesis conceived broadly (the first welfare theorem: perfectly competitive markets allocate resources Pareto-efficiently)
2. General supply-side view of the economy according to which better and stronger incentives and more freely operating market mechanism lead to various gains through improved efficiency (for example, lowering the tax burden on labour can induce growth)
3. A modernised version of the macro-economic doctrine of balanced budgets (sound financial management requires balancing budgets and reducing excessive public debt over time)
4. Hypotheses about efficiency benefits of large-scale production

1 Already the Cecchini Report (Commission of the EC 1988) that provided the cost-benefit analysis for the Single Market explicitly assumes a harmonious and mutually reinforcing relationship between micro- and macroeconomic effects involving economics of allocation, economies of scale, competitiveness in world markets, x-efficiency and learning. The slogan of the report is: "All barriers [for the operation of the free single market] have to be removed". For an outstanding analysis of the historical background, see Cafruny and Ryner 2017, 59-83.

Usually, the concept of SR seems to presuppose a textbook version of the model of perfect competition as a yardstick for measuring progress (1). The idea of perfect competition is also behind concepts such as "market distortion" (for example, distortive taxes). It may be acknowledged that there are winners and losers and that in the short run reforms often generate transitory costs, but in the long run, the effects are assumed to be beneficial (Bassanini and Cingano 2018). Often, the assumptions behind SRs come close to supply-side economics; including notions such as that economic growth can be stimulated by lowering certain taxes and by improving the overall business environment (2). So-called fiscal consolidation provides the general context for SRs. Although EU rules allow for limited annual deficits, given the amount of public debt and other considerations, the EU system amounts to a modern-day version of the classical doctrine of balanced budgets (3). A possible auxiliary hypothesis concerns the potential benefits from economies of scale (4), though this assumption is in some tension with the other elements, especially because economies of scale are not compatible with the model of perfect competition (1).

Elements (1)–(4) do not cover all aspects of SRs, however. SRs are also associated with notions such as smart growth, qualitative competitiveness, and innovations. Importantly, the current systems of (meta)governance in the EU and elsewhere have for years been concerned with technological change, innovation, and enterprise. To these ends, new techniques of government and governance have been developed (Jessop 2002, 96). The concepts adopted at the EU level are fed into national policy discourses. The EU has created for instance innovation scoreboards and a business innovation observatory to guide the governance practices of member states and corporations. In addition, the EU research funding is largely geared toward increasing innovativeness and competitiveness (e.g. the EU Framework Programme for Research and Innovation). This complements how the purpose of the contemporary university has been redefined across the world in terms of success in global competition, usefulness for moneymaking, and efficiency, meaning also the application of New Public Management (Mittelman 2018; Patomäki 2019a).

Rather than based on textbook neoclassical economics, these supply-side ideas appear to be linked to the revival of Joseph Schumpeter and his ideas since the 1980s (e.g. Fagerberg 2003). Schumpeter's work was quintessentially concerned with change and he is clear that "capitalist reality is first and last a process of change" (Schumpeter 2008, 77). This is different from the timeless models of neoclassical economics. Schumpeter used statical analysis of equilibrium and especially the model of perfect competition as a point of contrast against which to develop a more realist, that is, dynamic and change-oriented economic theory. Thus, the Schumpeterian aspect would seem to add to the ambiguities of the concept of SR. In the following sections, I will discuss succinctly

these main elements one by one.

THE MAIN PROTOTYPE AND CONTRAST-SPACE OF NEOCLASSICAL ECONOMICS

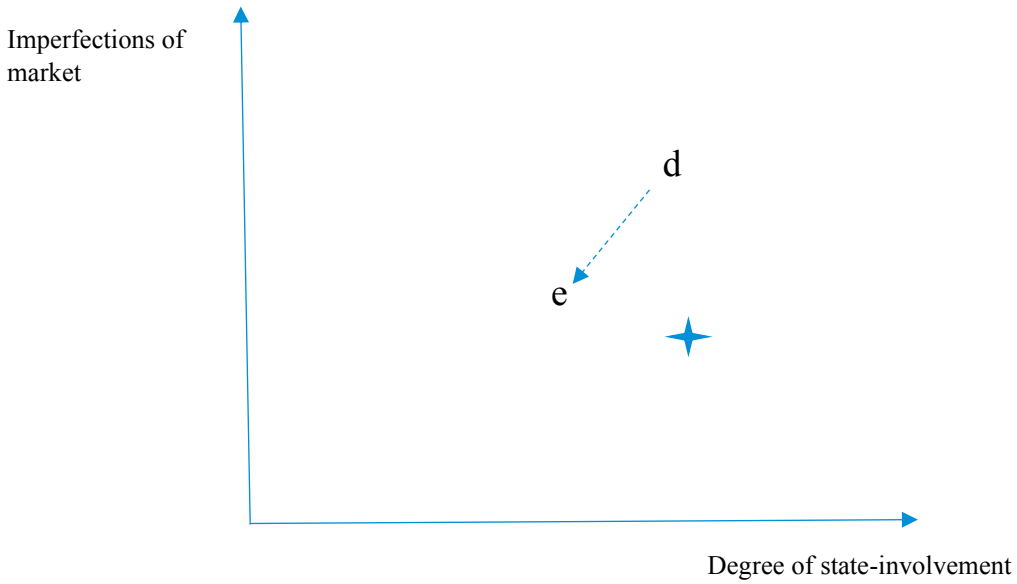
I use the term efficient market hypothesis in the broad sense, combining two different claims that are related to each other, though they are not the same thing. The first is the efficient market hypothesis developed in the context of financial market research. Although it has a long historical background, it is most commonly associated with Eugene Fama's work (especially Fama 1970). Fama argued that market prices effectively contain all the relevant information, which could affect the prices of securities (for a critique, e.g. Guerrien and Gun 2011). Robert Lucas (1972) and some other economists close to the Chicago School expanded information-efficiency to other markets through the idea of rational expectations. The second claim is the so-called first theorem of welfare economics, according to which any Walrasian perfect competition equilibrium is Pareto efficient. Often, this theorem is interpreted to mean that (perfectly) competitive markets normally allocate resources efficiently. Theoretically, these are distinct claims, but for the purposes of policymaking, the expanded first claim and the second claim are in effect indistinguishable.

Neoclassical economics teaches "perfect" competition as a prototype of capitalist market economy, forming the basis of a two-dimensional contrast-space. Prototypes are used for categorisation. Empirical research has found that people generally do not reason or classify objects based on necessary and sufficient conditions, but tend to rely on existing prototypes (e.g. Rosch 1983). The psychological prototype theory is based on the idea that each category is lodged in people's minds as an example case, which characterises the entire category and serves as a point of comparison for other cases (for example chair standing for furniture – furniture is an abstract category that cannot be perceived directly). Moreover, social prototypes are generally used to evaluate a situation, institutional design, or economic system. Contrast-spaces, in turn, are important because all explanations, as well as policy-recommendations, involve contrasts – why x rather than y? – which are shaped by theories, practical interests, and values (on the significance of contrasts, see van Fraassen 1980; Garfinkel 1981; Lawson 1997, 199-226; 2009; Morgan and Patomäki 2017).

The neoclassical prototype of perfect competition constitutes a generic two-dimensional contrast space, defining possible options in all situations: (i) from perfect competition to imperfect competition and monopoly; and (ii) from competitive free-markets to varying degrees of state intervention and "command economy" (the extreme contrastive case that is used only negatively). These two dimensions form the basis of mi-

cro-theory and, according to a basic mainstream assumption, macro-economics must have micro-foundations (for a critique, see Shaikh 2016, 75–119). Even when it is accepted that competition is in fact, or even necessarily, imperfect, the model of perfect competition remains a key contrast and point of comparison. The resulting simplified and ideal-typical contrast-space is depicted in figure 1. However unrealistic its assumptions may appear, the perfect competition model is routinely assumed to be relevant for explanations and policy-recommendations (at least in the "long run" that is conceptually separate and distinct from real historical time and thus may never arrive; see Morgan and Patomäki, forthcoming). While the origin may be seen neither as the ultimate ideal nor realistic or feasible, in EU policy documents and other similar documents across the world, a movement from *d* to *e* is usually taken as an improvement on both dimensions. Markets become more perfectly competitive and market-distorting state-involvements reduced. This is what is habitually meant by SRs. It is worth stressing that there may be neoclassical economists who do not share the recommended direction in a given situation or institutional setting. For example, if an economist sees the location of the star in Figure 1 as the optimal point, he will disagree with the EU (or similar) recommendation. This may be, for instance, because he considers monopolistic tendencies to prevail. State or EU involvement is required to increase competition.

Figure 1: Structural reforms and the two-dimensional contrast-space of neoclassical economics



Policy-makers are of course reminded that "perfect" competition is not synonymous with perfection in a normative or utopian sense. Yet, the moral of the story is evident

(as Sayer, 2011, argues, we are evaluative beings whether we acknowledge it or not). The more competition in the neoclassical sense there is in the market, the closer the world must be to the ideal model. The more perfectly competitive the market, the larger the consumer surplus and the more optimal the situation. Many deficiencies or problems can be explained in terms of "market distortions". The neoclassical contrast space thus breeds the normative idea that deficiencies or problems can be corrected through making the markets more perfect and by reducing state-involvement in the economy. To reiterate, problems stemming from various market failures such as externalities or also from short-term macroeconomic fluctuations stemming, say, from "sticky prices" may also require state intervention. For these reasons, the origin in figure 1 is not the absolute aim for anyone, although in most policy-documents the long-term oriented SRs seem to point toward that direction.

A major problem is that neoclassical research itself has shown that the basic prototype cannot exist in any possible real world. Consider the Sonnenschein-Mantel-Debreu theorem (Sonnenschein 1972; Mantel 1974; Debreu 1974). This theorem results from taking into account the impact of relative price changes on real income distribution, which is a property of the whole, in turn, impacting its parts. According to the theorem, market demand curves do not necessarily have a steady downward slope but can head in any direction at each point. It follows that a multi-market system cannot have a single state of general equilibrium. Moreover, relaxing the necessarily false assumption of perfect information (which contradicts the basic epistemic principle of human fallibility, see e.g. Soros 2013) and accepting the existence of uncertainty and asymmetrical information gives rise to the Greenwald-Stiglitz theorem, which in practically all situations invalidates the hypothesis of Pareto-efficient markets. According to this counter-theorem, public-sector interventions for example through taxation can improve efficiency in any real-world situation (Greenwald and Stiglitz 1986). Therefore, the prototype cannot establish the desired direction as in Figure 1.[2]

Another fundamental problem is that the contrast space of neoclassical theory is generally much too abstract and built on impossible (and in that sense utopian) concepts. All theories and models involve simplifications, abstractions, and idealisations. While realisticness is important, also a model that is in some ways unrealistic may be

2 These discussions have continued for many rounds. Public choice theorists have long argued that selfish policymakers generate inefficiencies that are generally more harmful than market ones. Market failures are hence an insufficient condition to justify government activism. Under fundamental uncertainty, however, selfish policymakers cannot be conceived as maximising inter-temporal expected utility (or any other objective function) calculated by the use of objective probability distributions. Thus, Giuseppe Ciccarone (2020) argues that group decision-making and mutual monitoring support earlier claims that no superiority of market or government over the other can *a priori* be established. The conclusion that the government cannot generally improve on market outcomes does not hence apply.

relevant for policy. However, there are deeper forms of critique, in particular: is the approach based on realism (Lawson 1997; Sayer 2010; Patomäki 2019b)? Is the problematic relevant? For a realist, an adequate causal explanation and normative assessment require different kinds of contrast spaces. Contrasts should be specified closer to concrete open-systemic historical reality and its mechanisms and processes (about more adequate contrast-explanation for economics, see Morgan and Patomäki 2017). Only in this way can theory have causal explanatory power; and only in this way can it be a meaningful basis for normative assessment. Denying the relevance of perfect competition means renouncing the neoclassical contrast space. If its relevance is denied, it is not reasonable to think that the model of perfect competition cannot give guidance to policy, not even negatively.

SUPPLY-SIDE ECONOMICS

The notion of supply-side economics emerged in the US in the late 1970s as an alternative to Keynesian, demand-side policy (Roberts 2017 explains its origins in his 1975 article). Building on Say's law and some other classical tenets, supply-side ideas were developed by economists such as Arthur B. Laffer and Robert A. Mundell (see e.g. Wanniski 1978). Many contemporary economists accept, however, the Keynesian idea that lack of sufficient demand may occur in the short run. They may even acknowledge the possibility of a relatively long-lasting disequilibrium. There is nonetheless a convergence of views: from a mainstream economics perspective, when demand-management is not a reasonable option (in the long run, or given the current situation), improving supply-side efficiency can be a good way to stimulate growth.

Supply-side policies are designed to increase aggregate supply through lower taxes, deregulation, and productive investments. According to standard neoclassical theory, price incentives influence the demand or supply of a good or service. The motivation of employees, owners, and investors is based on costs and benefits measured in terms of time and money.[3] This motivational assumption grounds belief in a positive connection between money-incentives and efficiency. The bigger the incentives and thus income differences, the more productive people are and the more they are willing to take risks as entrepreneurs, accelerating growth. Moreover, from the supply-side economics viewpoint, regulations often create obstacles to free economic activities and thus hinder eco-

3 The term incentive does not in principle exclude the most varied sources of motivation, as is often pointed out by many mathematical modellers. For example, curiosity or moral concerns can encourage activities. In practice, however, neoclassical economists tend to assume hedonism, that is, the doctrine that people seek to maximise pleasure, which is typically operationalised in terms of money, free time, and opportunity costs (see Hodgson 2012).

nomic growth. Deregulation may involve reducing constraints on activities or barriers to entry for instance in banking, utilities, telephone, the airline industries, and transportation. If the market was previously a public monopoly, deregulation amounts to privatisation. Companies that benefit from deregulation are assumed to be able to hire more workers. The resultant job growth creates more demand, which further boosts the economy. In addition, investments in human capital or new capital equipment and research and development (R&D) can improve productivity. There are various ways to stimulate investments in the desired areas. For example, allowing businesses to depreciate capital equipment more rapidly (e.g., over one year as opposed to 10), might encourage them to purchase such equipment. While Crespy and Vanheuverzwijn (2016, 76) may be right in reporting a modest shift toward investments in the EU country-specific recommendations, that is in line with the concept of SR as it has been practiced in many places for decades.

In real-world open-systemic processes, it is difficult to disentangle different effects. Analysts may perceive outcomes in different ways, and similar outcomes may result from a variety of different causal mechanisms. Hence, the existence of drastically different interpretations about the effects of supply-side economics in the 1980s US is not surprising. Even when the data is the same, different categorisations and periodisations can make a major difference. A supporter of Ronald Reagan's policies can argue that real economic growth averaged 3.2 percent during his tenure in office as opposed to 2.8 percent during the presidencies of Gerald Ford and Jimmy Carter. For the same observer, the US economy grew only 2.1 percent per year during the presidency of George H.W. Bush and the first term of Bill Clinton's presidency (Tupy 2017). However, a report "highlighting President Clinton's historic achievements" sees a different reality: "Since President Clinton and Vice President Gore took office, economic growth has averaged 4.0 percent per year, compared to average growth of 2.8 percent during the Reagan-Bush years" (White House 1998).

No one denies, however, that Reagan's tax cuts decreased US federal tax revenue and doubled its real public debt. For some pundits, the reason for this was increased military spending in the 1980s, not tax cuts as such. On the other hand, it is equally plausible to argue that it was precisely the deficit spending that stimulated the US economy in the 1980s. Reagan's policies amounted to a form of military Keynesianism. Moreover, in the 1980s, the US income inequalities started to rise rapidly. The Gini index of equivalised gross household income rose from 37.75% in 1979 to 41.95% in 1989 (refers to household income that has been recalculated to take into account differences in household size and composition). In 2012, it was at 46.3%. (Atkinson et al. 2017) Wealth inequalities have risen even more significantly (Piketty 2014).

ON THE APPLICABILITY OF ECONOMIES OF SCALE

Some "structural reforms" are based on the idea that bigger units (of for example publicly provided services in education or health) are more efficient than small ones. The problem with this idea is that it may contradict the other elements constituting the prevailing notion of SRs. If the advantages of large-scale production benefit not only the entire industry but also the individual companies, markets are characterised by a tendency toward oligopoly or monopoly (this has been known since Sraffa 1926; 1930). In other words, if per-unit costs are reduced as a result of increased total output, perfect competition is both inefficient and unstable.

In many industrial sectors, such as car manufacturing, economies of scale are significant, but from the point of view of SRs, the question is where and when exactly may a larger scale generate more efficiency? In car manufacturing, a significant part of the cost is related to car design, testing, and the erection of a car plant. Making a single car is expensive, while in manufacturing thousands or millions of cars, the same fixed costs can easily be covered by car sales. In this case, the average cost per car decreases as the number of cars produced and sold increases.

The following reasons are usually cited as the main benefits of large-scale industrial production (e.g. Sloman 1995, 172–174): (i) specialization and division of labour can increase efficiency; (ii) the efficient use of some machines requires a large minimum input; (iii) bigger machines may be more efficient; (iv) larger containers require relative smaller surface area and may thus be more economical; (v) large-scale production may have positive side effects, (vi) concentrating multi-step production at one location can reduce transport costs. Also, the scope of the firm itself can have advantages: (vii) centralized management can in some cases save on overlapping design; (viii) sharing overheads can also be economical (e.g. research lab may be costly and therefore a large firm can better afford such) and (ix) acquiring finance and materials is often easier for large firms (getting funding easily and at a lower interest rate; purchasing materials in large batches at lower prices).

There is no general rule or empirical regularity according to which a larger or smaller size would always increase efficiency. In open systems, no law-like event-regularities obtain (Lawson 1997; Patomäki 2019b). In the automotive industry, the economies of scale can be very significant to a point, but when it comes to teaching or medical services, a relatively small scale can be a prerequisite for efficiency. Most of the explanations usually given for economies of scale in industrial production do not apply to services such as health, education, and research, or public organizations more generally. Size does not automatically bring efficiency-benefits in any sector, and economies of scale have a limit on all sectors of industry (limits may also be set politically to prevent the concentration

of ownership and control of production assets). We would need to know the concrete mechanisms that may bring about benefits and know how to relate them to the potential disadvantages of large size.

A large scale may indeed lead to many disadvantages: communication costs increase; decision-makers move away from substantive practices and do not see the real effects of their decisions; quality control is difficult and often expensive; larger scale begins to generate more bureaucracy; ignorance about others' projects generates overlapping functions; internal power-struggles starts to dominate activities; employee alienation deepens and reduces motivation, etc. These are only examples. The list of relevant processes of causation is open-ended as no list can be exhaustive (cf. Mackie 1980, e.g. 301). In many areas such as health and education, small is not only effective but also normatively preferable for other reasons (see e.g. Johns and Torres 2005; Kokkelenberg, Dillon and Christy 2008; van der Wal et al. 2009).

ON THE "SCHUMPETERIAN" MOMENT

The EU structural reforms are intertwined with attempts to encourage innovations and growth. This aspect of SRs seems closely linked to the revival of Schumpeter and his theories since the 1980s. Schumpeter, like Karl Marx or Piero Sraffa (mentioned above), was convinced that the capitalist market economy is less stable and more dynamic than the orthodox market theory implies. The capitalist market economy is characterised by change, growth, rising living standards, innovations, and occasional huge profits based on temporary monopolistic privileges, but also by tendencies toward overproduction, excess capacity, unemployment, and maladjustment. For Schumpeter, the latter can have also a positive function as "creative destruction".

In all his main works, Schumpeter (1978; 2008; 2017) distinguishes between managers, capitalists, and entrepreneurs. Managers run organizations and he considers these mainly in terms of a static economy. Capitalists claim a share of production in terms of ownership. For Schumpeter, entrepreneurs are different from both. He associates them with innovations, the main source of growth and change. Entrepreneurs may initially lack wealth or capital, but they can use finance-capital supplied through the mechanisms of credit, the availability of which depends on banks and other financiers. Entrepreneurs manage business organizations, but do not rely on customary knowledge, habits, and conventions – their investment, ideas energy, and novelty are sources of innovation and these are quintessentially sources of change and potential transformation.

While entrepreneurs are thus considered pivotal within capitalism, the relative significance of an entrepreneur's role within evolving capitalism is itself subject to change. An entrepreneur combines things in production in novel ways, making production more

efficient and production costs lower. An entrepreneur can bring new sources of inputs to the production process. He can open up new territorial markets or create new needs or tastes through marketing. Moreover, not only does innovation allow new organizations to take root and firms to increase their market shares and thereby change the market structure. Competitive capitalism can also evolve into something different, involving bureaucratically dominated firms, trusts, etc.

Hence, in Schumpeter's work, the fundamental characteristics of any point in time within a modern economy do not seem to conform to those that are typical of statical frameworks and equilibrium, such as those of the neoclassical model of perfect competition. The adoption of Schumpeter as part of the package of SRs would thus seem to generate further tensions, if not contradictions, within the prevailing discourse of SRs. What is more, for Schumpeter the historical dynamics of capitalism tends to suppress entrepreneurs and their creative spirit.

Bureaucracies are becoming increasingly dominant not only through public organisations but equally well within large-scale firms – as was indicated by the new theory of the firm in management and some strands of economics that emerged in the 1950s and 1960s. The scope for individual entrepreneurial innovation is superseded by the work of corporate specialist research and development teams.[4] More and more of economic and social life is conducted based on formal rules, and this is shadowed by an influential technocratic interventionist social science. For Schumpeter, this kind of emerging society and economy is less likely to produce agents able to fulfil the entrepreneurial function (substituting management and trustification for prior forms of leadership). The rising technocrats are more likely to intervene to dampen cycles, effectively weakening "creative destruction". According to Schumpeter, this has socialising effects that will tend to militate against the emergence of entrepreneurial individuals, whilst simultaneously working to cultivate a more corporatist-collective or socialist-leaning frame of mind, which larger and impersonal business and administrative organizations will likely facilitate.

The Schumpeterian heritage is contested. Schumpeter's concepts and ideas can be integrated with a variety of different theories and developed into different directions. Also the Schumpeter revival of the 1980s changed meanings. Hence, the SR discourse

4 In mainstream economics, this and related claims have led to the so-called Schumpeterian hypothesis that innovation is associated with firm size or market concentration. A number of researchers have explored the relationship between innovation and firm size or concentration and frequency of innovation. As a telling example of the methodological (including ontological) problems of the approach, these studies have been inconclusive (for a review of studies from the 1960s to 1980s, Acs and Audretsch 1988, 130–32; for a review of more recent studies, Block, Fisch and van Praag 2017; see also e.g. Symeonidis 1996; there have been also many case studies, for example Kinugasa 1998). Hardly anything can be said at this level of abstraction. Relevant contrast-spaces must be specified closer to historical realities.

about innovations and change in capitalist processes is not based on Schumpeter's own conception of the entrepreneur. Rather neoliberal theorists such as Ludwig von Mises and Israel Kirzner redefined the entrepreneur as a *homo oeconomicus* that under uncertainty can take advantage of opportunities presented by the market process. Thus reconceptualised, an entrepreneur does not have to be creative in the Schumpeterian sense, just alert and responsive to market opportunities. For many economists, the perceived problem has been the wide range of restrictions on entrepreneurship and the lack of sufficient incentives to act under uncertainty (Plehwe 2020). This neoliberal reinterpretation resonates strongly with the basic ideas of supply-side economics and its aims to deregulate, lower rates of taxation, and weaken trade unions. This may be taken to reduce the level of ambiguity in SR programmes, yet it in no way makes these programmes more adequate or functional.

In anticipation of the social ontological discussion below, it is at this point worth mentioning that theories and ideologies not only constitute markets (MacKenzie, Muniesa and Siu 2007) but also forms of subjectivity and principles of governance. The tendency to universalise a particular understanding of social being – everyone is an entrepreneur – becomes, in the next moment, a project of deliberate social engineering. This project is about creating a world in which everyone must become an "entrepreneur" in some sense, also within organisations. The problem is that in open systems social engineering tends to have unintended consequences.[5] However, before discussing open systems and social ontology further, in the next section I will briefly outline the development of the concept of structure in social sciences.

A BRIEF GENEALOGY OF THE CONCEPT OF STRUCTURE IN SOCIAL SCIENCES

So far, I have analysed the conceptual and theoretical constitution of the direction of EU structural reforms. Now I turn my attention to the concept of "structure". The term structure comes from Latin *structura* meaning "a fitting together, adjustment; a building, mode of building", which is derived from *structus*, past participle of *struere*, "to

5 For example, this type of social engineering can reduce efficiency, because policies designed for self-interested actors understood as "entrepreneurs", often within organisations, can undermine their moral sentiments, experiences of autonomy, and thereby both their capacities and motivation (Bowles 2008). The unintended effects may also be political. For example, labour market "flexibility" tends to increase existential insecurity through conditions of employment and life prospects and thereby breed conditions for the rise of nationalist-authoritarian populism (Patomäki forthcoming). Moreover, rational choice theories have frequently been used as arguments against political participation and democracy; in everyday use, they can erode trust in politicians and democratic institutions (see Mackie 2009).

pile, place together".[6] At first, in early modern Europe, it was used to refer to constructs, edifices, or buildings. Metaphorical extensions emerged much later. In the 19th century, Karl Marx and later Emile Durkheim introduced the concept to social sciences. In *Capital Vol 1* Marx refers to his 1859 manuscripts and writes:

> [E]ach special mode of production and the social relations corresponding to it, in short, that the economic structure of society, is the real basis on which the juridical and political superstructure is raised and to which definite social forms of thought correspond [...] (Marx 2010, 57, fn. 34)

Marx also wrote about the structure of society, class structure, etc. For Durkheim, in turn, the concept refers to the interdependent and organised parts of the whole. Any one individual is only a single element within the totality of relationships that constitutes a society. Society has formative power over its parts and exists as normative order that predates the individual and is reproduced and transformed mostly quite independently of him or her (see Giddens 1971, 65–118). From this perspective, Durkheim theorised, among other things, the effects of the division of labour and social complexity on the normative order of society, for example in terms of *anomie* that affects how individuals exist and behave. Later structuralist traditions in linguistic, anthropology, and sociology have regularly used the term in these and related senses, referring to the relations of an interdependent and organised whole, possibly conceived in terms of process, that is, as something that evolves.

The concept of structure did not play any specific role in economic theory before the Second World War. For example, Marshall's *Principles of Economics* (1959) mentions social or industrial structure only occasionally and usually in a sense that was not that different from Marx or Durkheim, although sometimes coming close to mere composition (for the tensions between the sociohistorical and equilibrium aspects of Marshall, see Morgan and Patomäki forthcoming). Paul Samuelson's textbook *Economics* from 1948 that forged a synthesis of neoclassical and Keynesian economics is similar in this regard. Structure is sometimes a composition (e.g. of prices or interest rates), but sometimes relational, for instance when Samuelson writes about the "structure of corporations" (1948, 128–33) or "structure of American unions" (188). Terms such as "structural change" and "structural adjustment" were in sporadic use already during the interwar years and in the Bretton Woods era, but in a variety of meanings, stemming from different traditions and political orientations (Crespy and Vanheuverzwijn 2016, 65–8; Bockman 2019). These meanings were roughly in line with Marx, Durk-

6 Https://www.etymonline.com/word/structure#etymonline_v_22198 (accessed 15.2.2021).

heim, and the early economists, including much of Marshall and Samuelson, although sometimes a few authors may have made reference to the neoclassical conception of market equilibrium.[7]

It was only in the subsequent decades that the standardised textbook corpus of mainstream economics took shape and provided the basis for the rise of the neoliberal concept of SR in the 1980s, grounded on the claims discussed above (balanced budgets, efficient markets, supply-side economics, scale economies, the idea of the entrepreneur, etc.). In its currently prevailing meaning, the term became dominant in the 1980s through the IMF, World Bank, and OECD and their attempts to push for changes in the developing and OECD countries alike, often under the euphemism of "structural adjustment". For example, when the 1985 World Economic Outlook (IMF 1985, 6) argued in favour of "a more effective approach to structural problems in European countries", the basic idea was that as various "rigidities and distortions" are impeding the free operation of market forces, they should be removed.

A related idea is the crowding out argument according to which "higher government deficits tend to generate short-term increases in activity at the expense of reducing the share of private sector saving that is available for investment to support longer-term growth" (8). The 1989 Report (World Bank 1989, 6) makes the familiar neoclassical distinction between the short and long runs and points out that some countries have been more "successful than others in pursuing short-term adjustment and longer-term structural reform". Mainly, the EU has followed this globally propagated conception of SRs, which includes most or all the main elements (1)–(4) as well as the "Schumpeterian" moment discussed above. To reiterate, the problem is not only that the assumptions of the basic models of perfect competition, supply-side economics, and such like, are not realistic, but also that the overall approach to social science is lacking realism at the deeper philosophical and social ontological level.

TOWARDS A BETTER UNDERSTANDING OF SOCIAL STRUCTURES AND THEIR CAUSAL POWERS

At the most basic level, the problem of the prevailing conception of structural change is ontological. Therefore, the next step is to discuss the meaning of structure from the point of view of contemporary social ontology (e.g. Searle 1995; 2010; Lawson 1997;

7 An interesting line of enquiry, suggested by Magnus Ryner, would consist of exploring the concept of structure in what may be called the structural school in development economics, or more simply, structuralists economics, associated with names such as Raúl Prebisch, Celso Furtado, Gunnar Myrdal, Albert O. Hirschman, and Arthur Lewis. They wrote their main works from the 1950s to 1980s, adopting concepts variously from neoclassical, Keynesian, and Marxian theories, while often using the term "structure" in a sociological (perhaps especially in the Durkheimian) sense of the term.

2019; Patomäki 2020). As already indicated, the term "structure" is normally used in connection with relational wholes (as in Durkheim) or compositions (the way in which a whole or mixture is made up). In neoclassical theory, when it is not conceived as a mere constraint on efficient markets, structure tends to mean the latter, often coming down to the number of units in a given market ("market structure") or, sometimes, the degree of public involvement in the economy. It is not illegitimate as such to define structures in a compositional way (e.g. "structure of market", "age structure", or "occupational structure"). However, from a causal analysis point of view, it is necessary to examine substantial relations of connection and interaction, rather than mere formal relations of similarity and dissimilarity, quantities, or ratios of quantities in a given context. To perform causal analysis, compositions should be interpreted in relational terms, translated into them, or explained through relational conceptions. Social structures are real and this can be shown with causal criteria. As the ever-present condition (material-formal cause) and the continually reproduced outcome of human agency, historical social structures are essential elements of social causation (Archer 1995; Bhaskar 1998; Patomäki 1991).

A key point of contact between human agency and social structures in a complex society is the mediating system of positions (places, functions, tasks, duties, commitments, rights, etc.) occupied (filled, assumed, enacted, etc.) by individuals, and of the practices (activities, etc.) in which, by virtue of their occupancy of these positions (and vice versa), they engage. Certain meanings of "structural reforms" in the prevailing discourse come close to a relational understanding of structure. For instance, the fulfilment of a position in the positioned practices of an economic organisation may require specific skills and know-how. The system of relations between positioned practices which agents reproduce or transform involves also the educational system that produces skills and know-how and, most importantly, their generic prerequisites (training to specific tasks can take place within organizations). Absences too can be caused. The absence of particular competencies can be a consequence of organising the educational system in a particular way. This absence can have causal effects on the capacities and development of economic organisations.

From this perspective, the mere number of units or the degree of public involvement in a given market is indeterminate with regard to outcomes. To illustrate, consider Anwar Shaikh's (2016, 14, 259–326) theory of real competition. Real competition is antagonistic and stormy. Its intensity is independent of the number of firms in the market. All seek profits, but many suffer losses, some barely surviving from year to year while others go bankrupt or out of business, or are bought by other firms. On the other hand, winners may from time to time make huge profits, especially in an upswing. Profitable markets attract. There are barriers to entry, however. For those trying to overcome these barriers, competition is often war, involving "tactics" and "strategy". The whole is there-

fore relational, not atomistic, and it evolves. Each firm seeks to achieve relative strategic and tactical advantages and convince buyers. In addition, structures of ownership are complex and relational and can shape the outcomes in many ways. The firms may also try to shape rules and principles for their own benefit, often through legislation. Hence, the neoclassical contrast-space looks hollow: the mere number of units does not have any direct bearing on causation.

Structural reforms concern rule-constituted and -generated social relations and systems (including organizations), the positioned practices of which are (re)produced by individual actors. Rational reforms require knowledge about the likely real effects of the proposed reforms. Social systems are open and cause-effect relationships are inherently complex. Many interconnected processes whose mutual relationships are changing shape each process. Rules and practices, as well as social relations and systems, are open and changing. There are no general regularities that would be valid everywhere. Still, many relatively enduring connections can be found as not all relations, structures and mechanisms change all the time. In open systems, we can use knowledge about contrastive demi-regularities and their underlying causes to help design economic policy, but only cautiously and with reservations. The word "contrastive" indicates that demi-regularities must be defined in terms of differences and contrasts across time-space regions (Lawson 1997, 199–204). Demi-regularities are susceptible to change. Their explanation requires qualitative and historical knowledge about relational social structures, processes, and mechanisms (Næss 2004).

This kind of realist social ontology explains not only the absence of universal invariances and rapid changes in the social world (these have been explored for instance by Marx and Schumpeter) but also the increasingly central role of reflexivity in changes in the political economy and society more generally. The so-called Goodhart's law says that "any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes" (Goodhart 1981, 116). Similarly, the famous "Lucas critique" includes the idea that any policy change will alter the structure of econometric models (Lucas 1976). While the reality is more nuanced and complex than what these formulations may entail, there is a kernel of truth in them: any announced policy change can become a self-altering prediction (or involve such a prediction), which is subject to contradictory and complementary determination, resulting in either net self-fulfilling or self-denying tendency.

What is important is that from this perspective the EU system of macroeconomic (meta)governance, which relies pivotally on anticipations of future growth paths, involves not only reflexive predictions but also feedback loops and performativity. The current EU system, driven by the aim "to balance budgets", is an example of an institutionalized reflexive loop that is geared toward an implicit political aim of downsizing

and transforming the state. Because of these loops and effects, attempts to reduce public debt can turn out to be self-defeating and recessionary. The system involves a high likelihood of net self-fulfilling tendency toward harmful socioeconomic outcomes. (See Patomäki 2019c, 564–8). In the next section, I will indicate how reflexivity can play a much more positive role as well.

A REALIST CONCEPTION OF STRUCTURAL REFORMS

In most social sciences, the term "structure" continues to have a more realistically descriptive meaning than in neoclassical economics. The starting point is not a comparison to any technically and mathematically represented tacit utopia such as "perfect competition" or "general equilibrium", but the historical evolvement of real social relations, processes, and their effects in open systems. Structures emerge from rules that constitute and regulate identities, relationships, and practices. People's activities consist of positioned practices, and in doing so they follow rules and improvise on them. In their practical activities, they renew and, from time to time shape social relationships. Internal (constitutive) and external (causal) relations form part of broader and multifaceted contexts, complexes, systems, and fields. Social wholes change with their parts, but wholes are also co-formative of their parts and condition their possible changes. These relations are context-dependent.

A variety of normative meanings can be ascribed to any reform-proposal. From any given normative vantage point, structures can be changed and made better, but they can also be made worse. Frequently the latter happens through unintended consequences, but there may also be conflicts between values. Apart from effects on efficiency, changes may also purport to increase freedom, justice, and well-being or they may aim to strengthen democracy or sustainability, or further several values at the same time. From this point of view, a structural change can mean, for example, transformations of a set of rules and principles defining a public organization or an enterprise (e.g. purpose or ownership), or a change in power relationships (e.g. democratization). Such changes are best considered as ethical and political, not technical. What kind of structural change increases for example efficiency, well-being, or fairness, is contingent. The success of a structural change depends on both the immediate context and its wider context.

Although it may be possible to demonstrate links between certain relational structures and, for example, efficiency in open systems, these links tend to change. Assumptions about the independence of the parts of relational contexts and excessive generalizations based on this kind of atomist reductionism are likely to produce unintended consequences, which are often harmful (Garfinkel 1981, chp. 5). For instance, the neoclassical agenda of SRs customarily includes privatisation of public activities and com-

panies (for a critique of the theoretical underpinnings of privatisation, see e.g. Wright 1991). Assessments of the real impact of privatisation vary and are theory- and ideology-laden, but most evaluative studies conclude that the results are sector-specific and regularly mixed or inconclusive (compare e.g. Frangakis et.al. 2009, stressing negative impacts, and Zartaloudis 2010, stressing context-dependent and mixed results). Privatisation also means different things in different parts of the world – where both the prevailing practices and institutions and the purpose of privatisation may differ. In many well-known cases such as British railways, however, there is a near-consensus according to which "rail privatisation has resulted in considerable additional costs: it was a major public policy error" (McCartney and Stittle 2017, 1). Next, I will argue, however, that normative assessment is not only a matter of utilitarian and money-based cost-benefit analysis but rather involves explicit ethical and political arguments.

WIDENING THE MEANING OF RATIONALITY

In neoclassical economics, rationality is understood in terms of a technical apparatus that enables optimisation under constraints (see Fine 2016). The procedures of mechanical optimisation make it desirable to attempt to express all benefits and costs in a common scale or denominator so that they can be compared with each other. In theoretical models, optimisation requires only abstract preference orderings by individuals. The so-called Pareto principle says that if one individual is made better off and none are made worse off because of implementing a policy, social welfare increases. This conservative criterion does not allow for redistribution, although some extensions may do so in a limited fashion. Moreover, in practical applications the most typical common denominator is money. Whereas the welfarism principle means that social orderings of alternative policies depend only on the welfare of individuals defined in terms of preferences and not on extraneous considerations such as freedom, justice, or democracy, in practice this principle regularly comes down to maximising output measured in terms of money. There is certain circularity because the likely impact of X is then estimated through the neoclassical models discussed above (based on efficient markets hypothesis, supply-side economics, scale economies, etc.).

The paradox of the methodology of neoclassical economics is of course that this conception of rationality is self-defeating when applied to research. If what is true is reduced to what optimises under constraints, and if the economists themselves have a preference order regarding their own good or social arrangements, then it is rational for the economists to build models that either maximise their welfare or help to realise their preference order regarding different social arrangements. There is no place for truth, genuine values, or normative principles. What is more, this compound involves an epis-

temic closure. Because social systems are open, decisive tests between theories are hard to come by. This makes it easy to fortify ideological positions. Given the absence of both a normatively regulating concept of truth and decisive test situations, coupled with continuing one-sided allegiance to a mere predictive rather than causal-explanatory and other criteria, the methodology on which one's research relies gets mystified. The entrenched or otherwise privileged theory is protected and alternatives are stunt. There may also be a belief in the unresolvability of theoretical conflicts – which in practice means their resolution in favour of the status quo or accordance with one's preferences. (Bhaskar 1998, 144)

This is not rational. Being rational means being open to criticism (also based on evidence regarding real-world effects) and having the ability to learn. There are several forms of rationality including instrumental, normative, and expressive. All of them are subordinate to critical communication based on evidence and plausible reasoning. (See Habermas 1984) All our claims of validity can be criticised and disproved; all our claims call for intersubjective justification, which we must provide upon request. Science is based on the hypothetical analysis and examination of truth claims and normative claims. It would be thus wrong to equate science with one or two special research methods or a specific set of substantive assumptions. Science is not synonymous with mathematical modelling, regression analysis, or rationalistic mechanics tied to neoclassical assumptions. Each of these *may* be part of some scientific practices in some contexts. The viability of research methods or substantive assumptions can only be determined by considering their real grounds in a context.

Rational science is reflexive and self-critical. It is conscious of the social-psychological and ideological mechanisms that influence our observations and reasoning. Falsification – the attempt to disprove a proposed hypothesis – is essential to science but must not be confused with any particular method of hypothesis testing. For example, mathematical modelling is premised on the existence of invariant event-regularities, yet there are ontological reasons why social sciences, including economics, have been not been able to identify universal regularities. In open systems, things can and do change. Moreover, causation is complex and any process is open to extrinsic influences, however the process is defined. Political economists should not give up simply because their object of study is a diverse, historically changing, and normative reality. The mission of science is to study reality as it is, on its terms, as precisely and in as great detail as the research object allows, and this should also be the basis of normative judgements (Patomäki 1992; 2006; 2018).

It is our task to collect information from manifold sources, using a wide range of methods and various social traditions, constantly changing the historical time scale from very brief to very long. The goal is to use theoretical and conceptual work to syn-

thesise available information into understandable and truthful explanatory models and stories that help us apply our practical reason, that is, act ethically and wisely in each context-bound situation (Spicker 2016). Ultimately, the significance of social research lies in the future, because practical action is future-oriented. To show what this may mean in practice, I will next give some examples of alternative possible structural reforms in the EU and global political economy more generally.

A FEW EXAMPLES OF ALTERNATIVE POSSIBLE STRUCTURAL REFORMS FOR THE 2020S

It is time to give a few examples of alternative SRs to make my abstract social theoretical and philosophical points more concrete. Although I consider these ideas to be important for the future of the EU, the main emphasis lies in the meaning of structural reforms. It should be mentioned, however, that some of the currently prevailing SRs are in line with this vision. For instance, attempts to prevent tax evasion, or to make the skills of potential employees and the needs of employers meet, seem well justified, as they can stem from a realist analysis of causal processes.

Going beyond the existing vision, we must first specify reflexively what the concrete geo-historical problems are. The point is to shape the entity or process instigating the examination and initiating the need for action. Given the current conjunctures and compounds, deindustrialization appears a key problem, especially outside the German-centred industrial region. There is a need for selective reindustrialization. Industrial capacities are not given but depend on the level of investments. While it may look inevitable that industrial employment will continue to decline, it is possible to reindustrialise partway through large-scale public investments, geared toward projects that matter and are sustainable both socially and ecologically.

Already Schumpeter stressed that investments involve the development of new qualities and abilities. However, Schumpeter paid only scant attention to the role of the state or public authorities more generally in creating the grounds for commercial innovation. Moreover, he had only little to say about the potential benefits from non-commercialised scientific progress supported by public authorities. As Mariana Mazzucato (2014) argues, strategic public investments and policies can create and shape productive powers and markets. The creation of production-powers and markets can also be achieved through "mission-oriented investments that led to putting a man on the moon and are currently galvanizing green innovation" (Mazzucato 2016, 140). At the level of the EU as a whole, the structures needed for these kinds of purposes remain mostly absent. From this viewpoint, a key structural change is to create sufficient capacities for fiscal and industrial policy at the EU level.

Common fiscal policy requires both inflationary and deflationary tools. This indicates that taxes too are needed. Taxes are vital not only for deflationary purposes but also for redistribution and shaping behaviour toward desirable directions. Redistributive systems could include for example proper regional policies, a European minimum wage, and an EU-wide unemployment benefit scheme. Essential transformations are not possible without changing the EU Treaty, including in terms of its regulatory framework for macroeconomic policy. However, until the EU Treaty is changed, EU-level investment programmes can rely on creative arrangements involving central bank funding, as exemplified by the Covid-19 recovery package and "unconventional" monetary policies of the ECB. Moreover, through the enhanced cooperation procedure, groups of member states can take steps toward realising European taxes benefitting special funds or the EU budget.

A key effect of globalization has been that states' power to tax corporations and wealth has eroded. Corporate tax has fallen dramatically (tens of percent) in most countries. Besides, large multinational companies and wealthy individuals engage in aggressive "tax planning", which further reduces tax revenues. Collective action and institution-building are indispensable to counter these trends and tendencies. Corporate taxation has been under discussion in the EU, with concrete proposals on the table. The Common Consolidated Corporate Tax Base (CCCTB) would abolish harmful corporate tax planning within Europe to a large degree by creating a single set of rules for how corporations operating within the EU calculate their taxes. A more ambitious version of that proposal would involve an agreement on a common minimum corporate tax rate – say 30% – which is substantially higher than the average corporate tax rate in the EU. The states participating in the CCCTB could treat a part of the revenues as a common tax even in the absence of treaty-change.

The problem of tax evasion is not only European but as well global, so the CCCTB is best conceived as a mere component in a general attempt to regulate value chains and global corporate power. Hence, SRs should concern also worldwide institutions. Consider the case of trade. Many states, and the EU as a whole, are committed to improving their current account balance by enhancing their "competitiveness", often through lowering export prices. Yet current account deficits and surpluses cancel each other out, while attempts to increase cost competitiveness through internal devaluation and such like tend to prove contradictory due to decreasing effective demand. What is needed to overcome this contradiction is a collective mechanism through which world trade surpluses and deficits are automatically balanced in terms of tax-and-transfer; and a global central bank that can issue global reserve money (as originally proposed by Keynes in the 1940s; for discussions and further developments, see for instance Davidson 1992–3; Stiglitz and Greenwald 2010).

As local and global improvements are closely interwoven, it is necessary to increase and intensify political collaboration across the world. This process involves support for workers' rights and trade unionization on a planetary scale, both out of solidarity and to increase global aggregate demand. Better working conditions and salaries, for example to the Chinese workers, could mean fewer reasons for capital relocation and more demand for European goods and services in China. Deepened global political cooperation could over time lead to the formation of new kinds of actors. A further possibility is to realise a universal right to high-quality education. This could be facilitated by various global means, including global tax revenues. The practical realization of this right can be seen (i) as an attempt to build human capital as the basis of sustainable growth, (ii) as an attempt to speed up the process of demographic transition, (iii) as a mechanism for global redistribution, and (iv) as an example of what enlightenment and global solidarity can mean in the 21st century.

SRs are needed also at the level of work organizations to improve their functioning. The long-standing but unresolved debate between the advocates of hierarchy and democracy has often revolved around efficiency. Is democracy or hierarchy more efficient? Efficiency is important but not the only consideration. In a good society, work is organized so that everyone has the opportunity to enjoy social recognition and some self-realization in her work. From an open-systemic point of view, there are many possible ways of organising things, involving considerations of meaningfulness and motivation. SRs could aim at building society around voluntary partnership and democratic cooperation rather than competition and greed. Overall, this is not a matter that can be resolved at the level of high theory but requires practical experimentation and systematic learning from these experiments.

The envisioned programme of structural changes would amount to reversing the current EU strategy for growth. Proactive economic policies aim to create investments and capacity and increase output and thus reduce unemployment, which is a major source of insecurity. A sufficiently high-level basic income for all European citizens could further diminish dependence on unstable markets. Whether universal basic income (UBI) is worthy of support depends on how it is implemented. For instance, UBI should not be seen as a replacement for public systems of health and education. Probably UBI functions best in a world of full employment where republican virtues prevail and where people are motivated to work and participate.

Moreover, participation is important also because it can generate trust and existential security. Many forms of participation concern collective will-formation. SRs could aim at democratising power-relations also within firms, making personal employment paths more secure, and shaping political economy developments in the desired direction by employing industrial and other policies. The goal, in this conception of SRs, would

be to create an upward spiral of virtuous developments. This spiral could be grounded in existential security and trust, encouraging hope for better futures. The European project could thus become a project generating hope about the future.

Industrial production will remain critically important because of the context-bound benefits of economies of scale and related possibilities for increasing labour productivity. It is essential to retain industrial know-how as widely and deeply as possible. Growth comes from the diversity and complexity of production, enabling the development of new industries. The key to developing industrial know-how lies in research and development and, perhaps, in some sense, in "entrepreneurship", which may also be organised publicly as Mazzucato has argued. What is more, H.G. Wells envisaged a century ago, in his *Outline of History*, a future world in which "perhaps 10% or more of the adult population will, at some point or another in their lives, be workers in the world's educational organization". Wells also envisaged "a vast free literature of criticism and discussion" (Wells 1931, 1163). Today we can set a new target: in the future, at least 10% of the adult population will work at universities or research institutes for a major part of their lives.

The aim of these kinds of SRs – both relational and compositional – is freedom from false necessities. SRs may involve various post-Keynesian and global-Keynesian ideas about rational economic policy. Whenever feasible, however, the point is to identify old and new ways to make relations of production, work organizations, and systems of global governance more empowering (cf. Unger 1997; Wright 2010; Honneth 2017). This kind of programme could combine the aim of full employment with transformations of society's power structures, which can, in turn, shape economic efficiency in the spirit of social experimentalism. The open-systemic social world is frequently dilemmatic, however, and can respond to any policy or transformation reflexively and in unexpected ways. History will remain open-ended.

CONCLUSIONS

Decades of neoliberal "structural reforms" have not succeeded in making the EU-European economy fitter and better able to realise its growth potential. The fragile recovery after the extended Euro crisis did not last long – a new recession was already starting before the Covid-19 crisis. Lessons must be learnt from these experiences. However, learning is difficult if things are only looked at from the perspective of standard textbook economics. As discussed in this paper, although the prevailing EU ideas about SRs are not reducible to the logic and contrast space of neoclassical economics (as depicted e.g. in Figure 1), they are constitutive of the dominant direction of SRs. I have thus examined critically the conceptual underpinnings of SRs, including the efficient market hypothesis, supply-side economics, scale economies, and quasi-Schumpeterian innova-

tion, all currently applied within the prevailing balanced budget framework.

I have also shown that the current economistic concept of structure is different from the main 19th and 20th century social scientific understandings. Moreover, the concept of structure did not play any major role in economics before the 1970s and 1980s when it started to be associated with the rising ideas of neoliberalism, including the efficient market hypothesis, supply-side economics, etc. At that point, "structure" came to be seen primarily as an impediment to the optimal functioning of the market as defined by the (utopian) model of perfect competition; or defined in terms of an arrangement that can facilitate the optimal functioning of the market. However, this conception is conceptually confusing and the related empirical evidence is hazy. A realist concept of structure based on the notion of open systems explains why the neoliberal conception has not worked. At a more fundamental level, I have argued that the *relevance* of the neoclassical problematic is highly questionable.

The principal social scientific concept of structure has been causal-descriptive rather than tacitly utopian (in the sense of neoclassical economics). Society has formative power over its parts and exists as normative order that predates the individual and is reproduced and transformed mostly quite independently of him or her. From the perspective of a realist social ontology, the economistic idea, as well as the related quasi-Schumpeterian idea of an entrepreneur, have constituted a project of deliberate social engineering. A key problem is that in open systems social engineering tends to have unintended consequences. I have argued further that the current EU system of macroeconomic (meta) governance involves a high likelihood of net self-fulfilling tendency toward harmful socioeconomic outcomes. It is thus not surprising that decades of applying these recipes have not led to the resurgence of EU-Europe.

The starting point of a realist social ontology is open systems, the intra- and interrelated elements of which are socially constructed. From this viewpoint, structural reforms concern rule-constituted and -generated social relations and systems organised as wider wholes, whereas positioned practices are reproduced and transformed by individual actors. Rational reforms require knowledge about the likely real causal effects of the proposed reforms. The problem from the point of view of rational SRs is that social systems are open and changeable and that causation is complex. Although some rational anticipations are possible, this kind of social ontology suggests an experimental approach to structural reforms. We do not know any universal principles of historical change or consequences of such changes because the mechanisms of change vary with the social contexts we are examining.

Proposals for SRs must thus be concrete and based on a historical diagnosis of the currently most salient problems. In this paper, I have suggested several SRs that would amount to reversing the current EU strategy for growth. Although the main point is to

show what kinds of SRs the alternative realist conception of structure can facilitate, I also believe that this kind of programme would make a major difference. The goal is to create an upward spiral of virtuous developments. This spiral fosters existential security and trust, encouraging hope for better futures among the EU citizenry. Some of the proposed SRs concern building new structures and powers at the EU level, especially in terms of fiscal and industrial policy (for a discussion on the implications to democratic legitimacy, Patomäki 2014). These powers are needed for instance for a European-wide industrial policy and a programme of selective – that is, socially and ecologically sustainable – reindustrialisation.

Collective action and institution-building are indispensable to attempts to tackle worldwide tax evasion. In general, local, European and global improvements are closely interwoven, and thus it is necessary to increase and intensify political collaboration across the world and build new worldwide structures and powers. Furthermore, in this vision, SRs would aim at making personal employment paths more secure and democratising power-relations also within firms. This vision also includes the expansion of higher education and research on an unprecedented scale.

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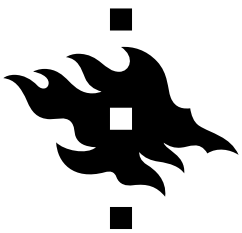

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